

January 3, 2020



# FTE Networks Provides Shareholder Update

NEW YORK, Jan. 03, 2020 (GLOBE NEWSWIRE) -- FTE Networks, Inc. (NYSE American: FTNW) ("FTE" or the "Company"), today issued a letter to FTE shareholders regarding the Company's efforts and the completion of its acquisition of the assets of Vision Property Management LLC ("Vision," now part of the US Home Rentals LLC subsidiary of FTE) on December 30, 2019.

The full text of the letter from interim CEO Michael Beys follows.

## **Dear Shareholders:**

FTE announced the acquisition of Vision Property Management LLC for \$350MM by its US Home Rentals subsidiary yesterday. US Home Rentals is now a major owner and operator of a portfolio of US rental home properties consisting of 3,184 properties across the United States. FTE intends to further expand and grow US Home Rentals organically and through additional acquisitions.

US Home Rentals will be run by Vision's management team which assembled its portfolio of houses over the past 10 years and will continue as FTE shareholders. They will develop their strategy to acquire and build affordable housing properties for sale or rent. FTE has assumed approximately \$80MM in debt held by Vision and plans to refinance it into a lower cost credit facility which will fund significant investments in property renovations and significantly increase cash flow from the portfolio. Vision has exited its previous "rent-to-own" business model and no longer offers new rent-to-own contracts. It has also settled or is in advanced settlement talks on all pending litigation.

Since October 2019, a new board of directors and management team with deep real estate industry experience has worked tirelessly to guide the Company in a new strategic direction for the benefit of all stakeholders. I was asked by the board two weeks ago to step in from my role as an independent director to be the interim CEO. I am leading the company's efforts to regain compliance with its regulatory filings and to recruit a permanent management team. I have extensive legal experience, among other things, as a former federal prosecutor, having served as an Assistant US Attorney for the Eastern District of New York, as well as experience investing in and managing commercial real estate properties. My goal, along with our reinvigorated board, is to instill strong corporate governance and internal and disclosure controls for the company, to address the alleged malfeasance of prior management, and to recover value for FTE shareholders.

FTE became the victim of a series of unauthorized financings in 2017 and 2018 perpetrated by prior management who borrowed in excess of \$50MM consisting of short-term, high-interest loans and toxic convertible notes. In accordance with regulations and good governance protocols, the Company has disclosed these unauthorized borrowings as well

as dilutive unauthorized share issuances by prior management and reported these acts to the relevant regulators and legal authorities.

FTE's challenges in 2019 culminated with the notice of delisting by the NYSE American exchange (the "Exchange") and the suspension of trading of our common stock on the Exchange on December 17, which was originally suspended on December 11 following the Company's notice to the Exchange of the events described below. The pending delisting and suspension remains subject to the Exchange's appeal procedures. In November, in connection with an agreement to settle a substantial amount of corporate debt, the board agreed to issue 19.9% of our then-outstanding common stock to the debt holder. Because of a misunderstanding of how the percentage was required to be calculated, we mistakenly caused shares to be issued in excess of 20% of the Company's issued and outstanding common stock to the debt holder without shareholder approval and did not submit an additional listing application to the Exchange as required. When the Company learned of what had occurred, it quickly rescinded the transaction and cancelled the shares, and entered into a new agreement to issue the proper number of shares. In accordance with stronger governance, the circumstances were self-reported to the Exchange by the Company. FTE has corrected this mistake and we expect the situation to be resolved fairly, in full consideration of the facts. We have appealed the delisting and are seeking to have our common stock resume trading on the NYSE American exchange or relisted on another exchange or recognized stock market.

The shareholders we have heard from (of all sizes) remain hopeful that FTE will be allowed to regain its listing on the Exchange or will find a new home as a public company, especially now that it has embarked on an ambitious new business line. We appreciate their patience and share their confidence.

The growth strategy for US Home Rentals relies on three main elements.

First, the market for single family home rentals (SFR) is large, growing and attractive. Nationally, home rentals are growing faster than home ownership. SFR has become recognized as an established and counter-cyclical segment of the real estate industry with publicly traded incumbents such as Invitation Homes and American Homes 4 Rent, who dominate tier 1 major metropolitan markets.

Second, there are significant barriers for new entrants. Home portfolios overall have become prohibitively expensive to acquire as the housing market enters its 10<sup>th</sup> year of price appreciation. Managing a national portfolio requires scale, technology investments, project management and purchasing capabilities to rehabilitate and service local properties. The tier 3 and tier 4 markets, which is the market for US Home Rentals, are still under-developed. US Home Rentals is one of the few players in these markets equipped to handle these challenges. Additionally, there are numerous smaller and sub-scale portfolios in tier 3 and tier 4 markets that can be acquired, upgraded and better utilized. There is much less competition and a great opportunity to consolidate these smaller and more fragmented markets.

Third, US Home Rentals will benefit from the discipline and transparency of its new management structure. FTE is recruiting veteran managers who will help the company to achieve the next level of operational execution. The Company has begun the process of refinancing the credit facility to lower its cost of capital and raise additional capital for growth

and rehabilitations. FTE's leadership team and board of directors will also implement the levels of transparency and oversight required to ensure that US Home Rentals delivers a service-oriented solution to all of its customers and complies with legal and regulatory requirements at both a local and a national level.

The Company plans to begin updating its required filings with the SEC in Q1 and to become current no later than the end of Q2 2020. It is continuing to explore various strategic alternatives that would improve the Company's long-term financial health and operational effectiveness and address important legal issues resulting from certain actions taken by prior management, including but not limited to additional financial and operational restructurings, sale or disposition of assets, and reviewing legal remedies to recover funds and assets. The Company will also explore the possibility of becoming a real estate investment company (REIT), either on its own or through a business combination with an existing REIT.

We appreciate the support and patience of all of the Company's stakeholders. We will continue to share pertinent information as we work towards creating value for FTE shareholders and improving our business operations to promote sustainable growth in our revenues and profitability.

Sincerely,

**Michael P. Beys**  
**Interim CEO**

### **Forward Looking Statements**

This letter may contain "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "believe," "will," "intends," "expects," and may include statements regarding matters that involve known or unknown risks, uncertainties and other factors that may cause our results, levels of activity, performance or achievements to differ materially from results expressed or implied by this release. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations, and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and market trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. These risk factors and others are included from time to time in documents we file with the Securities and Exchange Commission, including but not limited to, our Form 10-K's, Form 10-Q's and Form 8-K's. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Accordingly, you should not place undue reliance on these forward-looking statements. Any forward-looking statement made by us in this release is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

**About FTE Networks, Inc.**

FTE Networks, Inc. (“FTE”) through its subsidiary US Home Rentals, owns, operates and invests in affordable rental housing in tier 3 and 4 markets. Single family home rentals (SFR) is large, growing and attractive market. Nationally, home rentals are growing faster than home ownership. With a portfolio of 3,184 affordable rental homes across the United States, FTE is one of the few companies that has a strong and established portfolio of assets for the affordable rental housing market.

**For more information, please contact:**

**Corporate Contact:**

**FTE Networks, Inc.**

237 W. 35<sup>th</sup> Street, Suite 601

New York, NY 10001

(877) 850-4308

[ir@ftenet.com](mailto:ir@ftenet.com)

**Media Contact:**

[FTE@makovsky.com](mailto:FTE@makovsky.com)

(212) 508-9777



Source: FTE Networks, Inc.